# MT LEGISLATIVE HISTORY

Chapter 599 1981

Bill (H) 404 S_____ Original bill & hist. ✓C

| H. Committee on Taxation | | S. Committee on Taxation | |
|---|---|---|---|
| Hearing Date(s) FEB04 | ✓C | Hearing Date(s) MAR13 | ✓C |
| FEB06 | ✓C | APR21 | ✓C |
| _____ | ___C | _____ | ___C |
| _____ | ___C | _____ | ___C |
| Date Out FEB07 | ✓C | APR21 | ✓C |

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Did this bill originate in an interim committee? ___Yes ___No

Committee _____ Report_____

2ND READING: 3/20, BE CONCURRED IN
3RD READING: 3/23, YEAS: 49; NAYS: 0

RETURNED TO HOUSE: 3/23
TRANSMITTED TO GOVERNOR: 3/27
ACTION: SIGNED, 3/31
CHAPTER 217

HB 474—FABREGA, B. BROWN, SIVERTSEN—TO PROVIDE A GRADUATED SCHEDULE FOR THE TAX RATE APPLICABLE TO IMPROVEMENTS ON REAL PROPERTY....
FISCAL NOTE: REQUIRED
INTRODUCED: 1/24
REFERRED TO COMMITTEE ON TAXATION: 1/24
HEARING: 2/4
REPORT: DO PASS, 2/7
2ND READING: 2/11, YEAS: 87; NAYS: 7
3RD READING: 2/13, YEAS: 90; NAYS: 4

TRANSMITTED TO SENATE: 2/13
REFERRED TO COMMITTEE ON TAXATION: 2/14
HEARING: 3/13
REPORT: 4/21, BE CONCURRED IN
2ND READING: 4/22, BE CONCURRED IN
ON MOTION, 4/22, RULES SUSPENDED, PLACED ON 3RD READING
3RD READING: 4/22, YEAS: 44; NAYS: 1

RETURNED TO HOUSE: 4/22
TRANSMITTED TO GOVERNOR: 4/27
ACTION: SIGNED, 5/1
CHAPTER 599

HB 475—ERNST, BOYLAN—TO EXTEND THE SCHEDULE FOR LICENSE TAXES ON GASOHOL AND TO ELIMINATE THE GOVERNOR'S POWER TO SUSPEND THE SCHEDULE....
FISCAL NOTE: REQUIRED
INTRODUCED: 1/24
REFERRED TO COMMITTEE ON TAXATION: 1/24
HEARING: 2/4
BILL DIED IN COMMITTEE

HB 476—WALLIN—TO REQUIRE MANDATORY RESTITUTION OF AN AMOUNT EQUAL TO THREE TIMES THE VALUE OF THE PROPERTY STOLEN FROM THOSE PERSONS CONVICTED OF THEFTS....
INTRODUCED: 1/24
REFERRED TO COMMITTEE ON JUDICIARY: 1/24
HEARING: 2/2
REPORT: DO NOT PASS, 2/3
REPORT: ADOPTED, 2/5
BILL KILLED: 2/5 YEAS: 79; NAYS: 12

HB 477—ANDREASON, ELLISON—TO PROVIDE THAT A STATE GAME BIRD LICENSE IS REQUIRED TO HUNT UPLAND GAME BIRDS IN MONTANA AND THAT, IN ADDITION TO ANY FEDERAL REQUIREMENTS, ONLY A WILDLIFE CONSERVATION LICENSE IS REQUIRED TO HUNT MIGRATORY GAME BIRDS.
INTRODUCED: 1/26
REFERRED TO COMMITTEE ON FISH AND GAME: 1/26
HEARING: 2/5
REPORT: DO NOT PASS, 2/5
REPORT: ADOPTED, 2/7
BILL KILLED: 2/7 YEAS: 86; NAYS: 3

HOUSE BILL NO. 474

INTRODUCED BY FABREGA, B. BROWN, SIVERTSEN

IN THE HOUSE

| | |
|---|---|
| January 24, 1981 | Introduced and referred to Committee on Taxation. |
| January 28, 1981 | Fiscal note requested. |
| February 2, 1981 | Fiscal note returned. |
| February 9, 1981 | Committee recommend bill do pass. Report adopted. |
| February 10, 1981 | Bill printed and placed on members' desks. |
| February 11, 1981 | Second reading, do pass. |
| February 12, 1981 | Considered correctly engrossed. |
| February 13, 1981 | Third reading, passed. Ayes, 90; Noes. 4. Transmitted to Senate. |

IN THE SENATE

| | |
|---|---|
| February 14, 1981 | Introduced and referred to committee on Taxation. |
| April 21, 1981 | Committee recommend bill be concurred in. Report adopted. |
| April 22, 1981 | Second reading, concurred in. |
| | On motion rules suspended. Bill placed on calendar for third reading this day. |
| | Third reading, concurred in. Ayes, 44; Noes, 1. |

IN THE HOUSE

April 23, 1981

Returned from Senate.
Concurred in. Sent to
enrolling.

Reported correctly enrolled.

HOUSE BILL NO. 474

INTRODUCED BY Bob Brown

A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE A GRADUATED SCHEDULE FOR THE TAX RATE APPLICABLE TO IMPROVEMENTS ON REAL PROPERTY; PROVIDING FOR LOCAL GOVERNMENT APPROVAL IN THEIR JURISDICTION; AMENDING SECTION 15-6-134, MCA; PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-6-134, MCA, is amended to read:

"15-6-134. Class four property -- description -- taxable percentage. (1) Class four property includes:

(a) all land except that specifically included in another class;

(b) all improvements except those specifically included in another class;

(c) all trailers and mobile homes used as permanent dwellings except:

(i) those held by a distributor or dealer of trailers or mobile homes as his stock in trade; and

(ii) those specifically included in another class;

(d) the first $35,000 or less of the market value of any improvement on real property or a trailer or mobile home used as a permanent dwelling and appurtenant land not exceeding 5 acres owned or under contract for deed and actually occupied for at least 10 months a year as the primary residential dwelling of:

(i) a widow or widower 62 years of age or older who qualifies under the income limitations of (iii) of this subsection;

(ii) a widow or widower of any age with dependent children who qualifies under the income limitations of (iii) of this subsection; or

(iii) a recipient or recipients of retirement or disability benefits whose total income from all sources is not more than $7,000 for a single person or $8,000 for a married couple;

(e) all golf courses, including land and improvements actually and necessarily used for that purpose, that:

(i) consist of at least 9 holes and not less than 3,000 lineal yards; and

(ii) were used as a golf course on January 1, 1979, and were owned by a nonprofit Montana corporation.

(2) Class four property is taxed as follows:

(a) Property Except as provided in [section 2], property described in subsections (1)(a) through (1)(c) is taxed at 8.55% of its market value.

(b) Property described in subsection (1)(d) and (1)(e) is taxed at one-half the taxable percentage established in



LC 2124/01

INTRODUCED BILL

HB 474

subsection (2)(a), or 4.275%."

NEW SECTION. Section 2. Remodeling of homes, buildings, or structures -- assessment provisions. (1) Remodeling of existing buildings or structures may receive tax benefits during the construction period and for the following 5 years in accordance with the following schedule. The percentages shall be applied to any increase in taxable value caused by the remodeling:

| | |
|---|---|
| Construction period | 0% |
| First year following construction | 20% |
| Second year following construction | 40% |
| Third year following construction | 60% |
| Fourth year following construction | 80% |
| Fifth year following construction | 100% |
| Following years | 100% |

(2) In order to receive the tax benefits described in subsection (1), the governing body of a county or incorporated city or town must have approved by resolution the use of the schedule provided for in subsection (1) for their respective jurisdiction.

Section 3. Effective date. This act is effective on passage and approval and applies to taxable years beginning after December 31, 1980.

-End-

STATE OF MONTANA

REQUEST NO. 239-81

# FISCAL NOTE

*Form BD-15*

In compliance with a written request received January 28, 19 81, there is hereby submitted a Fiscal Note for HOUSE BILL 474 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly. Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

## DESCRIPTION

An act to provide a graduated schedule for tax rate applicable to improvements on real property; providing for local government approval in each jurisdiction.

## FISCAL IMPACT

No data on the increases in assessed values due to remodeling are available to estimate the fiscal impact of this proposal. The actual revenue impact will ultimately depend on a taxing jurisdiction's (city or county) decision to implement the incentive.

In order to illustrate the level of impact, suppose that a city with improvements to real property appraised at $300M implemented the proposal and that during the first year $1M in remodeling was done. Disregarding the effect that reappraisal would have and the effect of remodeling in subsequent years, and assuming that the remodeling was all in process the first year, the proposal would have the following effect on the city's tax base:

| YEAR | TAXABLE VALUE - PRESENT LAW | TAXABLE VALUE - PROPOSAL | DIFFERENCE |
|---|---|---|---|
| 1 | 25.650M + NC(1) + R(1) | $ 25.650M + NC(1) | R(1) |
| 2 | 25.7355M + NC(2) | $ 25.6671M + NC(2) | $ 68,400 |
| 3 | 25.7355M + NC(3) | $ 25.6842M + NC(3) | $ 51,300 |
| 4 | 25.7355M + NC(4) | $ 25.7013M + NC(4) | $ 34,200 |
| 5 | 25.7355M + NC(5) | $ 25.7184M + NC(5) | $ 17,100 |
| 6 | 25.7355M + NC(6) | $ 25.7355M + NC(6) | $ -0- |

Where NC(Y) is the total taxable value of new construction in the years up to and including year Y, and R(1) is the taxable value of partially completed remodeling picked up in the year of construction.

PREPARED BY THE DEPARTMENT OF REVENUE

David M Lewis

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-2-81

TAXATION COMMITTEE

47th Legislature

| Bill No. | Subject Matter | Date In | Sponsor | Hearing Date | Committee Action | Date Out |
|---|---|---|---|---|---|---|
| HB 433 | To increase the interest rate on delinquent personal income tax from 9% to 15% and from 12% to 18% when a purposeful or knowing violation is involved. | Jan 23 | Dozier | Feb 3 | Do pass as amended | Feb 5 |
| HB 435 | To increase the interest on delinquent corporate license tax from 9% a year to 15% a year. | Jan 23 | Dozier | Feb 3 | Do pass as amended | Feb 5 |
| HB 451 | To revise the nonresident income tax laws. | Jan 24 | Meyer | Cancelled Feb 6 | | |
| HB 455 | To clarify that certain land and improvements consist of separate sub-classes of property. | Jan 24 | Huennekens | Feb 4 | | |
| HB 472 | To authorize a levy not exceeding two mills on all livestock in Montana to fund veterinary inspections at livestock markets | Jan 24 | Ellerd | | | |
| HB 474 | To provide a graduated schedule for the tax rate applicable to improvements on real property. | Jan 24 | Faberga | Feb 4 | Do pass | Feb 6 |

MINUTES OF THE HOUSE TAXATION COMMITTEE MEETING
February 4, 1981

A meeting of the House Taxation Committee was held on Wednesday, February 4, 1981 at 8:00 a.m. in Room 102 of the State Capitol. All members were present except Reps. Brand, Roth, and Underdal, who were excused. HOUSE BILLS 63, 455, 474, and 475 were heard and EXECUTIVE ACTION was taken on HOUSE BILLS 156, 237 and 371.

The first bill to be heard was HOUSE BILL 475, sponsored by Rep. Gene Ernst. This bill readjusts the dates of the tax incentive for gasohol and repeals the Governor's power to withdraw the incentive. Cordell Johnson, representing Energy and Resource Management, Billings, then rose as a PROPONENT. He distributed a paper entitled, "Facts About Montana Agriculture and the Alcohol Fuels Industry;" see Exhibit "A." This bill takes present law and extends the time limits on the tax cuts for gasohol. Also the bill would repeal the authority of the Governor to suspend the tax break under certain conditions; this is important because gasohol plants will involve extensive expenditures of money and the investors aren't willing to provide funding if the Governor can "blow the whistle" on the tax incentive. He encouraged a DO PASS recommendation from the Committee on HB 475.

Bruce Kania then spoke regarding both HB 338 and HB 475. He feels the two bills should be merged. If the Highway Department needs more money, it should get it, and it shouldn't be contingent on gasohol funding. Indications are that a compensatory tax provision would reduce the risk of other out-of-state producers importing their product into Montana and enjoying the tax difference. The Attorney General is being consulted in this matter. He expressed opposition to the Governor's ability to negate the tax break. The Legislature will help gasohol producers determine what price they will market their product for; he encouraged the Legislature to include the compensatory provision in this bill.

Ken Hoffman, a chemical engineer working with Mr. Kania, then spoke in support of the bill. He believes that the incentive to start a plant is important and also pointed out that the tax break would be phased out after a period of time. Right now, we have a technically and economically sound approach in alcohol production. The financial community isn't going to be interested in producing unless it is a financially sound proposition and because of the newness of gasohol, there are several handicaps to be overcome.

Jim Manion, Montana Auto Association, then spoke, neither as a PROPONENT nor as an OPPONENT. He believes gasohol is a viable alternative; however, he has some concerns regarding the potential damage to the Highway Trust Account under this bill. Because of these fears the Governor was originally given the prerogative to suspend the schedule, and he feels the reasoning behind the Governor's removing the tax break wouldn't be arbitrary. He sees the same jeopardy for

Rep. Nordtvedt then distributed some proposed amendments; see Exhibit "E."

Mr. John Clark (Department of Revenue) said that he believed the amendments cleared up the problem with the definition of the word "investment." The question on the motion to amend the bill was called for; motion carried unanimously. It was pointed out that this amendment to the Codes did not change the treatment of small businesses. Rep. Williams expressed concern that the amendment might be broadening the scope of the bill. Rep. Nordtvedt told him that it was just making the reference to include everyone who paid income taxes, and this is just the statutory language that is under the personal income tax system in Montana.

The question was then called for on the motion of DO PASS HB 156 AS AMENDED. Motion carried, with Rep. Dozier opposed.

HOUSE BILL 43 was then considered. Rep. Dozier moved that it DO PASS. Rep. Fabrega then arrived and the hearing on HOUSE BILL 474 was opened. In 1975 there was a similar bill which was passed, and it stayed in the books until 1977, at which time, it was dropped out because it became one of the factors in "MELDA." The only thing that is different about this bill is that it provides that the local government must have approved of implementations of this measure by resolution. He discounted on the rationale that money was being given away because the improvements would be made anyway. This bill gives local option without any of the side effects of the former situation. This bill will make the difference between whether a building is rebuilt or torn down, based on a $1 million taxable valuation.

Ruth Baenen, President of the Montana Assessor's Association, then rose, stating that she felt this bill would be hard to implement. Appraisers are having a hard time now keeping up with the construction phases. She stressed that no further revenue should be lost in the counties.

Mr. John Clark (Department of Revenue) then rose neither as a proponent nor as an opponent.

There were no OPPONENTS to HB 474. Rep. Fabrega stated that the bill would increase the additional value on a building on a schedule of five years. After the remodeling is completed, the assessment is made.

Rep. Asay said the city might lose even more revenue if the building was torn down.

Rep. Fabrega then closed.

Ms. Baenen then brought up the language, "first year after construction" and pointed out that sometimes construction goes on for years

and years, and for this reason the bill would be hard to implement.

Rep. Devlin wanted to know if the city could put a limit on the time of remodeling. Rep. Fabrega replied that commercial remodeling usually was done fairly quickly. Rep. Sivertsen pointed out that the individual wouldn't get the credit until the project was appraised. He didn't think this aspect of the bill should be a source of concern. Rep. Fabrega pointed out that on new buildings, periodical assessments are done on the construction, but this is not the case when an older building is being remodeled.

The hearing on HOUSE BILL 474 was then closed.

The Committee then went back into EXECUTIVE SESSION. The question was called for on HOUSE BILL 43. A straw vote was taken, and the decision was made to postpone discussion on the bill until a later meeting.

The meeting was adjourned at 11:00 a.m.

Rep. Ken Nordtvedt, Chairman

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VISITORS' REGISTER

HOUSE Taxation COMMITTEE

BILL HB 474 Date 2/4/21

SPONSOR Fabrega

| NAME | RESIDENCE | REPRESENTING | SUPPORT | OPPO |
|---|---|---|---|---|
| L. Ruth Baenen | Libby | Assessor's Assoc. | | ✓ |
| John Clark | Helena | Dept of Rev. | | |
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IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

MINUTES OF THE HOUSE TAXATION COMMITTEE MEETING
February 6, 1981

A meeting of the House Taxation Committee was held on Friday, February 6, 1981 at 8:00 a.m. in Room 102 of the State Capitol. With Vice Chairman Sivertsen presiding, all members were present except Reps. Asay and Brand, who were excused. Rep. Nordtvedt was excused for the first part of the meeting. HOUSE BILLS 126 and 540 were heard and EXECUTIVE ACTION was taken on HOUSE BILLS 63 and 474.

Vice Chairman Sivertsen announced that HOUSE BILL 451, which had been scheduled to be heard at this meeting had been taken off the agenda at the request of the sponsor (written testimony was submitted by William Romine, Montana Land Title Association; see Exhibit "C.")

HOUSE BILL 540, sponsored by Rep. Herb Huennekens, was heard. At present, aircraft have to be licensed as of March 1, but often the aircraft hasn't been assessed, and tax notices haven't been sent out. Therefore, the aircraft owners in the Counties where there is a delay have to have a lien filed on their airplane licenses, and later have them removed, when taxes are paid. This bill would change the date from March 1 to June 1. The sponsor suggested that the bill wouldn't be necessary if aircraft were also placed on a fee system. He suggested that possibly a Committee bill could be drawn up to address this.

There were no PROPONENTS to HB 540. There were no OPPONENTS.

Ken Morrison then rose to comment on the bill for Jack Gribble, Administrator of the Property Tax Division, Department of Revenue. It appears that only those planes registered after June 1 would be subject to prorating. Also, it would appear that aircraft not arriving in the State until after June 1 would be able to avoid registering.

Rep. Huennekens said that he was acceptable for the Committee to change the June 1 date, just so the pilot would still be able to avoid having to have a lien filed. Rep. Williams wondered why aircraft registration couldn't just be handled the way auto registration used to be done.

Rep. Devlin said that getting the lien wasn't an inconvenience; all that was necessary was to check a box on a card. Rep. Huennekens stated that in some Counties the owner of the aircraft had to actually go to the Assessor's Office and have the lien removed.

Rep. Bertelsen asked Mr. Morrison for information on this. He replied that Mr. Gribble would provide additional information to the Committee. Rep. Williams reiterated that he didn't see why the aircraft couldn't be licensed and taxed on a one-stroke basis, and he asked that Mr. Gribble also provide this information. The hearing on HOUSE BILL 540 was then closed.

Fair Board, which said that the Board needs all of the money they are getting from parimutuel betting at present. Rep. Nordtvedt stated that the bill, if drafted, would place a 2% sales tax on all betting. The revenue generated would be about $1 million per year, and it could go to the General Fund or elsewhere. At present, the revenue is taken care of locally.

HOUSE BILL 63 was then discussed. Chairman Nordtvedt said that he had some amendments from the Department of Revenue; see Exhibit "B." The fiscal impact can't be figured out; however, if the bill passes it might become possible to estimate it. Rep. Bertelsen moved that HB 63 DO PASS. Chairman Nordtvedt moved the amendments. The question was called for on the amendments; motion carried unanimously. Discussion followed. Rep. Bertelsen said that he supported the bill because the $3,600 figure had been included in it. Rep. Williams said that according to the way other exemption plans are structured, he saw no reason why the people on corporate retirement shouldn't have the same advantage of those retiring from the public. Rep. Nordtvedt pointed out that there was an exception in the bill for the IRA program. The question was then called for on the motion of DO PASS (AS AMENDED); motion carried unanimously.

HOUSE BILL 474 was then considered. Rep. Devlin moved that the bill DO PASS. Rep. Nordtvedt said that his problem with the bill was that it would allow Commissioners to make the decision to give the tax break, and a policy decision of this magnitude should require a vote of the citizens. Rep. Switzer said that the tax break wouldn't be on the existing dwelling, just the improvement. Rep. Dozier wanted to know if the assessors got the new additions when they were finished or if they only made changes every five years, as is done with general property taxes. Rep. Nordtvedt stated that the former was the case. Rep. Oberg said that there is no incentive from the tax system to put money into old property improvement because the taxes go up, and this bill addresses this problem, and therefore he was in support of the measure.

Rep. Nordtvedt expressed concern about the potential for abuse of the definition of remodeling. Rep. Zabrocki brought up the situation where a project was left 99% completed in order to keep taking advantage of the tax break. Rep. Nordtvedt said that appraisers put the structure on the tax rolls at whatever percentage of completion it was at. However, in actuality, it is not clear what the appraisers do. Rep. Williams expressed agreement with Rep. Nordtvedt, adding that the concept is a good one, but the assessors would have a hard time administering the bill, because there were too many loopholes. Rep. Switzer pointed out that the bill contained a provision which enabled local governments to opt whether or not to take advantage of the bill. Rep. Nordtvedt said that the trend towards making exceptions to a property tax system based on value need to be resisted or the property tax system wouldn't stay intact.

motion carried 8 - 6; see roll call vote.

It was announced that the Vehicle Fee System Legislation Subcommittee would meet at 10:00 a.m. that day.

The meeting was adjourned at 9:00 a.m.

Rep. Ken Nordtvedt, Chairman

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# STANDING COMMITTEE REPORT

February 7, 19 81

MR. SPEAKER

We, your committee on TAXATION

having had under consideration HOUSE Bill No. 474

A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE A GRADUATED SCHEDULE FOR THE TAX RATE APPLICABLE TO IMPROVEMENTS ON REAL PROPERTY; PROVIDING FOR LOCAL GOVERNMENT APPROVAL IN THEIR JURISDICTION; AMENDING SECTION 15-6-134, MCA; PROVIDING AN IMMEDIATE EFFECTIVE DATE."

Respectfully report as follows: That HOUSE Bill No. 474

DO PASS

REP. KEN NORDTVEDT, Chairman.

STATE PUB. CO.
Helena, Mont.

47th LEGISLATIVE SESSION

HOUSE BILLS COMMITTEE ON TAXATION

| BILL NO. | ENTERED COMM. | DATE CONSIDERED | OUT OF COMM. | DO NOT DATE | DO NOT PASS DATE | DO PASS AS AMEND. DATE | BE CONCURRED IN DATE | BE CONC. IN AS AMENDED DATE | BE NOT CONCURRED IN DATE |
|---|---|---|---|---|---|---|---|---|---|
| 370 | 2-10-81 | 2-16-81 | | | | | | 3-20-81 | |
| 389 | 2-19-81 | 3-11-81 | | | | | | 3-11-81 | |
| 407 | 3-04-81 | 3-11-81 | | | | | 3-11-81 | | |
| 408 | 3-02-81 | 3-19-81 | | | | | 3-19-81 | | |
| 411 | 2-16-81 | 3-11-81 | | | | | 3-16-81 | | |
| 415 | 2-13-81 | 3-12-81 | | | | | | 4-03-81 | |
| 428 | 4-01-81 | 4-03-81 | Tabled | | | | | | |
| 433 | 2-13-81 | 3-12-81 | | | | | | | 3-16-81 |
| 435 | 2-13-81 | 3-12-81 | | | | | 3-16-81 | | |
| 447 | 2-20-81 | 3-13-81 | | | | | | | 3-16-81 |
| 457 | 2-16-81 | 3-13-81 | | | | | 3-13-81 | | |
| 462 | 2-05-81 | 3-06-81 | | | | | 3-16-81 | | |
| ✓ 474 | 2-14-81 | 3-13-81 | | | | | 4-21-81 | | |
| 499 | 4-08-81 | 4-13-81 | | | | | | | 4-14-81 |
| 525 | 2-19-81 | 3-16-81 | | | | | 3-16-81 | | |
| 528 | 3-02-81 | 3-17-81 | | | | | 3-17-81 | | |

(Use Separate Sheet for Senate, House Bills, and Resolutions)

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

March 13, 1981

The 45th meeting of the committee was called to order at 8:00 a.m. in Room 415 of the State Capitol Building, Chairman Pat Goodover presiding.

ROLL CALL: All members were present except Sen. McCallum who was excused.

CONSIDERATION OF HOUSE BILL 775:

"AN ACT TO REPEAL PROVISIONS RELATING TO WITHHOLDING FOR NONRESIDENT'S INCOME TAX; AMENDING SECTIONS 15-30-311 AND 20-15-403, MCA; REPEALING SECTIONS 15-30-221 THROUGH 15-30-228, MCA."

Representative Nordtvedt said the law presently on the books provides if there are non-resident persons with interest in the state wage contract, the employer is supposed to act as a collection agent and withhold 3% for state income tax. The system has not been working. It has been suggested by most parties concerned, including DOR and private collection agencies, that we have a repealer on this non-resident tax.

PROPONENTS: Cliff Christian; John Cadby, Montana Bankers Association; Bill Romine, representing Montana Land Title Association, attachment #1; John Scully, Montana Independent Bankers; Larry Huss, Montana Savings and Loan League; John Clark, Department of Revenue suggesting that an amendment be adopted which would say sections 15-30-221 through 15-30-227 be repealed. John Cadby said the amendment would be superfluous. Dennis Burr agreed as DOR already has the authority to request statutory information from the county assessor.

John Clark said the reason this has come up at this time had to do with the position the printed matter was in on the withholding book that went out to employers. He said the department didn't think there was a great deal of revenue potential here and that they don't have people who could pursue it.

GOODOVER: What would be your problem with the assessors if we don't put this language in.

CLARK: It just gives us a little statutory club--whether you do or don't is within the committee's discretion.

The hearing was closed on House Bill 775.

CONSIDERATION OF HOUSE BILL 474:

"AN ACT TO PROVIDE A GRADUATED SCHEDULE FOR THE TAX RATE APPLICABLE TO IMPROVEMENTS ON REAL PROPERTY; PROVIDING FOR LOCAL GOVERNMENT APPROVAL IN THEIR JURISDICTION; AMENDING SECTION 15-6-134, MCA; PROVIDING AN IMMEDIATE EFFECTIVE DATE."

Representative Fabrega, District 44, will enact a law prepared in 1975 that creates a 5-year schedule for taxing the incremental taxable valuation in remodeling of homes, buildings, or structures. Paul Richards introduced this law in 1975 and it was popular with downtown properties. In 1977 came the MELDA act and it did many things, so this particular law was repealed. Great Falls is interested in this approach. Page 3, line 16, there is a local option. That way communities that feel they are going to experience remodeling don't have to adopt it. After this bill went through third reading someone said the language on page 3, line 3 didn't make any sense. Perhaps you should consider language that "in order to grant the tax benefits" or "in order for a taxpayer to receive tax benefits in subsection (1)" something should be done to clarify; in Great Falls after the 1975 law was passed it was incredible the things that broke off dead center and went ahead. In case of the Kauffman remodeling, the taxable value was something like $12,000 but $250,000 was spent remodeling it.

ELLIOTT: Did you go through the fiscal note?

FABREGA: This is predicated on 1 million dollars worth of remodeling. The impact in there would be $68,400--that is taxable difference and then you would apply the millage. About 1/3 of that would be the net effect in a 333 mill jurisdiction.

ELLIOTT: The fiscal note doesn't tell us what the tax effect would be to the state. If we are going to implement appraisals at 20% a year does your department have such a schedule?

CLARK: Yes. It's not a particular problem for us. That fiscal note was done as an example to show what it would do in any jurisdiction.

S. BROWN: Is this law still on the books?

CLARK: No. MELDA took it off and then MELDA was trimmed back and they took this section out. MELDA is still in there for first and second-class cities but in order to adopt, there has to be a petition and a vote of the people. To adopt this particular feature of MELDA you would have to take MELDA as well.

CRIPPEN: Senator Mazurek has a bill before us involving a BID. I don't think they are in conflict?

FABREGA: No conflict. Paul Richards originally introduced this bill to allow older homes in Helena to be remodeled.

The hearing was closed on HB 474.

ROLL CALL

TAXATION COMMITTEE

47th LEGISLATIVE SESSION - - 1981 Date 3/13/81

| NAME | PRESENT | ABSENT | EXCUSED |
|---|---|---|---|
| Goodover, Pat M., Chairman | ✓ | | |
| McCallum, George, Vice | | | ✓ |
| Brown, Bob | ✓ | | |
| Brown, Steve | ✓ | | |
| Crippen, Bruce D. | ✓ | | |
| Eck, Dorothy | ✓ | | |
| Elliott, Roger H. | ✓ | | |
| Hager, Tom | ✓ | | |
| Healy, John E. "Jack" | ✓ | | |
| Manley, John E. | ✓ | | |
| Norman, Bill | ✓ | | |
| Ochsner, J. Donald | ✓ | | |
| Severson, Elmer D. | ✓ | | |
| Towe, Thomas E. | ✓ | | |
| | | | |

Each day attach to minutes.

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

April 21, 1981

The 69th meeting of the committee was called to order at 9:05 a.m. in Room 415 of the State Capitol Building, Chairman Pat Goodover presiding.

ROLL CALL: All members were present, except Senator Crippen.

The first order of business was a discussion of a letter requested by Ellen Feaver from the Senate Taxation Committee. Ms. Feaver requested the letter be addressed to the Department of Revenue making known the Senate Taxation Committee's wish that some type of notice be sent to taxpayers who pay taxes on their residences advising that if the assessed value exceeds 5% of what the taxpayer believes to be market value, the taxpayer has a right of appeal to their County Tax Appeals Board.

Senator B. Brown explained the background leading up to the writing of the letter. Copy of said letter attached, attachment #1.

CONSIDERATION OF SENATE BILL 487:

"AN ACT TO MAKE THE COAL TAX OVERSIGHT SUBCOMMITTEE OF THE REVENUE OVERSIGHT COMMITTEE A PERMANENT SUBCOMMITTEE; AMENDING SECTION 2, CHAPTER 619, LAWS OF 1979; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

Senator Dave Manning, District 25, said this bill relates to extending the life of the Oversight Committee on coal taxation. He said Speaker Marks said he would support the bill if Senator Manning were able to get the rules suspended. "I have been on this committee since 1965, first with 8 people. Last session it was reduced to 4 and put under the Finance Committee. Finance Committee is busy--should have special group relating to a wealth of experience in Eastern Montana. The Coal Board still has 7 people; under the new administration, 4 of those people are rookies and three old timers. Considering experience we have had over the years, I think we should meet with them. Two mines are about to open up in the area. I think this committee should be extended. A like amount appropriated this year ($8,000) would be well spent. I think the first order of business would be to meet with the coal board and give them our thinking on things. We need the money for this committee.

McCALLUM: I talked to Representative Ramirez to get this bill, and it was just an extension for two years. Now it will be permanent?

MANNING: I would have no objection to that. Let's keep this alive now in its expanding period of the coal's taking.

Senator Towe moved amendments that would retain the committee, but not on a permanent basis. The amendments were approved unanimously.

Senator Towe moved SB 487 DO PASS, as amended.

S. BROWN: It seems to me that one of the problems we are facing in the legislature is that we don't make good use of our own committees. If we are worried about coal as a resource, we need to combine some member from EQC. The idea of creating committees or subcommittees bothers me when we have committees set up in an area. I would hope that sometime we wouldn't appoint committees to split functions. We need to consolidate our functions without creating adjuncts to them.

McCALLUM: I think that next session an energy committee should be appointed.

The motion carried unanimously to DO PASS Senate Bill 487, except for Senator S. Brown who voted a reluctant "no".

DISPOSITION OF HOUSE BILL 474:

Senator Bob Brown said that Representative Fabrega asked him to bring up HB 474 in the committee this morning. It had been tabled in the committee. A roll call vote was taken to remove HB 474 from the table and passed by a 9-4 margin.

McCALLUM: Bob, when this was in effect, was it used?

B. BROWN: In Great Falls.

McCALLUM: I think the concept is good, but usually you get penalized for improving a place.

TOWE: When they repealed MELDA, they repealed this one, too. When the mess was done we ended up with this off the books. This was a casualty. I would support the bill.

McCALLUM: But if it's optional?

Senator Bob Brown moved HB 474 BE CONCURRED IN.

ELLIOTT: While it might be elected by the local officials, I am sure the majority aren't going to accept that kind of situation. It would be a nightmare in the assessor's office to have to continually move these values upward over a 5-year period. This has no dollar limit. Any improvement the appraiser might decide should be added will have to be assessed over a 5-year period if the local body picks it up. I think we are putting something on the books that will never be used.

TOWE: I would disagree. I think when someone undertakes to remodel an existing building, whether downtown or out of town, I think we should encourage them to do it. Most of the time the assessors wink at that. It says the first year following construction you still pay a tax on the increase only.

SEVERSON: I'll bet the biggest share won't get put in until the next appraisal anyway. I think it is excess baggage.

Roll call vote was taken on HB 474 and by a 9-4 vote was given a BE CONCURRED IN by the committee.

The meeting adjourned at 10:00 a.m.

Pat M. Goodover

PAT M. GOODOVER, Chairman

ROLL CALL

TAXATION COMMITTEE

47th LEGISLATIVE SESSION - - 1981 Date Apr. 21, 1981

| NAME | PRESENT | ABSENT | EXCUSED |
|---|---|---|---|
| Goodover, Pat M., Chairman | ✓ | | |
| McCallum, George, Vice | ✓ | | |
| Brown, Bob | ✓ | | |
| Brown, Steve | ✓ | | |
| Crippen, Bruce D. | | ✓ | |
| Eck, Dorothy | ✓ | | |
| Elliott, Roger H. | ✓ | | |
| Hager, Tom | ✓ | | |
| Healy, John E. "Jack" | ✓ | | |
| Manley, John E. | ✓ | | |
| Norman, Bill | ✓ | | |
| Ochsner, J. Donald | ✓ | | |
| Severson, Elmer D. | ✓ | | |
| Towe, Thomas E. | ✓ | | |
| | | | |

Each day attach to minutes.

# STANDING COMMITTEE REPORT

April 21 81

19

MR. PRESIDENT:

We, your committee on TAXATION

having had under consideration House Bill No. 474

Fabrega (B. Brown)

Respectfully report as follows: That House Bill No. 474

~~XXIX~~

BE CONCURRED IN

~~DO PASS~~

SEN. PAT M. GOODOVER, Chairman.

STATE PUB. CO.
Helena, Mont.

SENATE COMMITTEE TAXATION

Date 4/2/91 Thursday Bill No. #74 Time 9:50 am

| NAME | YES | NO |
|---|---|---|
| SEN. McCALLUM (Vice-Chairman) | | ✓ |
| SEN. BOB BROWN | ✓ | |
| SEN. STEVE BROWN | ✓ | |
| SEN. CRIPPEN | absent | |
| SEN. ECK | ✓ | |
| SEN. ELLIOTT | | ✓ |
| SEN. HAGER | ✓ | |
| SEN. HEALY | ✓ | |
| SEN. MANLEY | | ✓ |
| SEN. NORMAN | ✓ | |
| SEN. OCHSNER | ✓ | |
| SEN. SEVERSON | | ✓ |
| SEN. TOWE | ✓ | |
| SEN. GOODOVER (CHAIRMAN) | ✓ | |

Betty Dean
Secretary

Pat M. Goodover
Chairman

Motion: Off the table

(include enough information on motion--put with yellow copy of committee report.)

SENATE COMMITTEE TAXATION

Date 4/21/81 Bill No. 474 Time 9:50 a.m.

| NAME | YES | NO |
|---|---|---|
| SEN. McCALLUM (Vice-Chairman) | | ✓ |
| SEN. BOB BROWN | ✓ | |
| SEN. STEVE BROWN | ✓ | |
| SEN. CRIPPEN | | |
| SEN. ECK | ✓ | |
| SEN. ELLIOTT | | ✓ |
| SEN. HAGER | ✓ | |
| SEN. HEALY | ✓ | |
| SEN. MANLEY | | ✓ |
| SEN. NORMAN | ✓ | |
| SEN. OCHSNER | ✓ | |
| SEN. SEVERSON | | ✓ |
| SEN. TOWE | ✓ | |
| SEN. GOODOVER (CHAIRMAN) | ✓ | |
| | 9 | 4 |

Betty Dean
Secretary

Pat M. Goodover
Chairman

Motion: Be conc. in

(include enough information on motion--put with yellow copy of committee report.)

HOUSE BILL NO. 474

INTRODUCED BY FABREGA, B. BROWN, SIVERTSEN

A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE A GRADUATED SCHEDULE FOR THE TAX RATE APPLICABLE TO IMPROVEMENTS ON REAL PROPERTY; PROVIDING FOR LOCAL GOVERNMENT APPROVAL IN THEIR JURISDICTION; AMENDING SECTION 15-6-134, MCA; PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-6-134, MCA, is amended to read:

"15-6-134. Class four property -- description -- taxable percentage. (1) Class four property includes:

(a) all land except that specifically included in another class;

(b) all improvements except those specifically included in another class;

(c) all trailers and mobile homes used as permanent dwellings except:

(i) those held by a distributor or dealer of trailers or mobile homes as his stock in trade; and

(ii) those specifically included in another class;

(d) the first $35,000 or less of the market value of any improvement on real property or a trailer or mobile home used as a permanent dwelling and appurtenant land not exceeding 5 acres owned or under contract for deed and actually occupied for at least 10 months a year as the primary residential dwelling of:

(i) a widow or widower 62 years of age or older who qualifies under the income limitations of (iii) of this subsection;

(ii) a widow or widower of any age with dependent children who qualifies under the income limitations of (iii) of this subsection; or

(iii) a recipient or recipients of retirement or disability benefits whose total income from all sources is not more than $7,000 for a single person or $8,000 for a married couple;

(e) all golf courses, including land and improvements actually and necessarily used for that purpose, that:

(i) consist of at least 9 holes and not less than 3,000 lineal yards; and

(ii) were used as a golf course on January 1, 1979, and were owned by a nonprofit Montana corporation.

(2) Class four property is taxed as follows:

(a) ~~Property~~ Except as provided in [section 2], property described in subsections (1)(a) through (1)(c) is taxed at 8.55% of its market value.

(b) Property described in subsection (1)(d) and (1)(e) is taxed at one-half the taxable percentage established in



REFERENCE BILL

subsection (2)(a), or 4.275%."

NEW SECTION. Section 2. Remodeling of homes, buildings, or structures -- assessment provisions. (1) Remodeling of existing buildings or structures may receive tax benefits during the construction period and for the following 5 years in accordance with the following schedule. The percentages shall be applied to any increase in taxable value caused by the remodeling:

| | |
|---|---|
| Construction period | 0% |
| First year following construction | 20% |
| Second year following construction | 40% |
| Third year following construction | 60% |
| Fourth year following construction | 80% |
| Fifth year following construction | 100% |
| Following years | 100% |

(2) In order to receive the tax benefits described in subsection (1), the governing body of a county or incorporated city or town must have approved by resolution the use of the schedule provided for in subsection (1) for their respective jurisdiction.

Section 3. Effective date. This act is effective on passage and approval and applies to taxable years beginning after December 31, 1980.

-End-